TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 438 - HB 484

March 6, 2017

SUMMARY OF BILL: Establishes the *Tennessee Uniform Limited Partnership Act* (TULPA) to govern the internal affairs of a limited partnership (LP), a limited liability limited partnership (LLLP), and a foreign limited liability partnership (FLLP) created on or after January 1, 2018. Authorizes limited partnerships formed prior to January 1, 2018, to elect to be governed by the TULPA. Establishes fees which may be assessed by the Department of State (DOS) for filing of various documents and actions by such partnerships. Authorizes the DOS to promulgate rules establishing acceptable methods for execution of any document to be filed with the DOS.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - $51,300/FY17-18/General Fund
$1,600/FY17-18/Division of Business Services
$114,600/FY18-19 and Subsequent Years/General Fund
$3,500/FY18-19 and Subsequent Years/
Division of Business Services

Increase State Expenditures - Exceeds $80,000/FY17-18/General Fund

Assumptions:

- The effective date of the bill is January 1, 2018.
- The provisions of the bill govern internal formations, dissolutions, amendments, and actions taken by LPs, LLLPs, and FLLPs; no fiscal impact to state government will occur as a result of the internal structure of such partnerships.
- A schedule of fees which the DOS is authorized to assess for various filings by LPs, LLLPs, and FLLPs is prescribed by the proposed language.
- Pursuant to Tenn. Code Ann. § 8-21-205, 97 percent of the fees collected from filing, processing, and copying business documents by the DOS is allocated to the General Fund with 3 percent remaining with the Division of Business Services within the DOS.
- The DOS estimates 100 LPs and LLLPs will file a certificate of limited partnership from January 1, 2018, to June 30, 2018. The prescribed fee for filing a certificate of limited partnership is $100 per certificate; resulting in an increase in state revenue of $10,000 in FY17-18 (100 certificates x $100 per certificate) in FY17-18.

- DOS estimates 49 FLLPs will file an application for registration from January 1, 2018, to June 30, 2018. The prescribed fee for filing an application for registration of a FLLP is $600 per application; resulting in an increase in state revenue of $29,400 in FY17-18 (49 applications x $600 per application).
- DOS estimates 674 amendments to certificates of LPs will be filed at a cost of $20 per amendment, resulting in an increase in state revenue of $13,480 in FY17-18 (674 amendments x $20 per amendment).
- No annual reports or reinstatements will be filed with the DOS from January 1, 2018, to June 30, 2018.
- In FY17-18, there will be a total increase in state revenue $52,880 ($10,000 LLP certificates + $29,400 FLLP certificates + $13,480 amendments), with $51,294 ($52,880 x 97.0%) allocated to the General Fund and $1,586 ($52,880 x 3.0%) allocated to the Division of Business Services.
- In FY18-19 and subsequent years, DOS estimates 201 certificates of limited partnership will be filed at a cost of $100 per filing for an increase in state revenue of $20,100 in FY18-19 (201 certificates x $100 per certificate).
- DOS estimates 98 FLLP applications for registration will be filed at a cost of $600 per application in FY18-19 and subsequent years, resulting in an increase in state revenue of $58,800 in FY18-19 (98 applications x $600 per application).
- It is estimated that 1,348 amendments will be filed to certificates of LP, which cost $20 per amendment, resulting in an increase in state revenue of $26,960 in FY18-19 (1,348 amendments x $20 per amendment).
- The estimated 448 (100 LPs in FY17-18 + 49 FLLPs in FY17-18 + 201 LPs in FY18-19 + 98 FLLPs in FY18-19) total partnerships formed under the TULPA will be required to file an annual report with the DOS and remit $20 per annual report filed.
- In FY18-19, it is estimated 85 percent, or 381 (448 entities x 85%), of the entities formed under TULPA will file an annual report for an increase in state revenue of $7,620 in FY18-19 (381 annual reports x $20 per report).
- It is estimated the remaining 15 percent, or 67 (448 total entities formed x 15%), of entities will have their registration revoked and have to file an application to be reinstated as a TULPA partnership.
- Partnerships filing an application for reinstatement will also remit $70 per application, resulting in an increase in state revenue of $4,690 in FY18-19 (67 applications x $70 per application).
- In FY18-19 and subsequent years, there will be a total recurring increase in state revenue of $118,170 ($20,100 LLP certificates + $58,800 FLLP applications + $26,960 amendments + $7,620 annual reports + $4,690 reinstatements), with $114,625 ($118,170 x 97.0%) allocated to the General Fund and $3,545 ($118,170 x 3.0%) allocated to the Division of Business Services.
- According to the Department of Revenue, the proposed legislation will not impact tax revenue collections.
- According to DOS, the Division of Business Services will have to treat the new LPs differently than LPs formed under the Tennessee Revised Uniform Limited Partnership Act, which will require modifications to the TN-BEAR online business filing program, thus requiring an appropriation from the General Fund.

- A minimum number of 800 hours of coding at an average rate of $100 per hour will be required to update the TN-BEAR program, resulting in an increase in state expenditures from the General Fund exceeding $80,000 (minimum 800 hours x $100 per hour) in FY17-18.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds $80,000/FY17-18

Increase Business Expenditures - $52,900/FY17-18
$118,200/FY18-19 and Subsequent Years

Other Fiscal Impact – A precise impact to business revenue and jobs in Tennessee as a result of partnerships formed under TULPA cannot reasonably be determined.

Assumptions:

- A private vendor will conduct the estimated 800 hours of coding for the Division of Business Services at an average rate of $100 per hour, resulting in an increase in business revenue exceeding $80,000.
- Businesses will pay an estimated $52,880 in FY17-18 and $118,170 in FY18-19 and subsequent years for fees assessed related to formation of partnerships under TULPA.
- It is reasonably assumed that some partnerships formed under TULPA will experience an increase in business revenue as a direct result of their formation; however such revenue cannot be determined.
- A precise impact on jobs in Tennessee cannot be determined due to multiple unknown factors such as what, if any, employees will be needed as a direct result in the formation of partnerships under TULPA and when such employees will be hired.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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